

**EUNICE STUDENT HOUSING
FOUNDATION, INC.**

Eunice, Louisiana

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2002

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(A Corporation of Certified Public Accountants)

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Independent Accountant's Report

The Board of Directors
Eunice Student Housing Foundation, Inc.
Eunice, Louisiana

We have audited the accompanying statement of financial position of the Eunice Student Housing Foundation, Inc. (a nonprofit organization), as of August 31, 2002, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eunice Student Housing Foundation, Inc. as of August 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2002, on our consideration of Eunice Student Housing Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of Eunice Student Housing Foundation, Inc. taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

August 29, 2003

EUNICE STUDENT HOUSING FOUNDATION, INC.

Statements of Financial Position
August 31, 2002

ASSETS

ASSETS

Cash	\$ 45,030
Rents and fees receivable	99,823
Interest receivable	11,083
Cash - restricted for debt service and construction	2,333,652
Investments - restricted for debt service, at fair market value	665,260
Property and equipment, at cost	<u>5,558,232</u>
 TOTAL ASSETS	 <u>\$ 8,713,080</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Construction payable	\$ 1,521,874
Accrued interest payable	321,223
Deferred rent revenue	101,584
Security deposits	<u>21,250</u>
	<u>1,965,931</u>
 Revenue bonds payable	 7,000,000
Unamortized discount	<u>(309,050)</u>
	<u>6,690,950</u>
 TOTAL LIABILITIES	 <u>8,656,881</u>

NET ASSETS

Unrestricted	22,021
Temporarily Restricted	<u>34,178</u>
Total net assets	<u>56,199</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,713,080</u>

See accompanying notes and accountant's report.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Statements of Activities
Year Ended August 31, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Apartment rent	\$ 16,216	\$ -	\$ 16,216
Application fees	5,700	-	5,700
Parking fees	90	-	90
Unrealized gain on investments	-	34,178	34,178
Miscellaneous	<u>15</u>	<u>-</u>	<u>15</u>
Total support and revenue	22,021	34,178	56,199
OPERATING, GENERAL, AND AND ADMINISTRATIVE EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	22,021	34,178	56,199
NET ASSETS, beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, end of the year	<u>\$ 22,021</u>	<u>\$ 34,178</u>	<u>\$ 56,199</u>

See accompanying notes and accountant's report.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Statements of Cash Flows
Year Ended August 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 56,199
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(34,178)
Increase in rent and fees receivable	(99,823)
Increase in interest receivable	(11,083)
Increase in deferred rent revenue	101,584
Increase in security deposits	<u>21,250</u>
Net cash provided by operating activities	<u>33,949</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Construction of Bengal Village	(3,715,135)
Purchase of interest bearing deposits	<u>(616,537)</u>
Net cash used by investing activities	<u>(4,331,672)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from sale of revenue bonds	<u>6,690,950</u>
Net cash provided by financing activities	<u>6,690,950</u>
Net increase in cash and cash equivalents	2,393,227
CASH AND CASH EQUIVALENTS, beginning of year	<u>-</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,393,227</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet	
Cash and cash equivalents, beginning of period	\$ <u>-</u>
Cash and cash equivalents, end of period:	
Cash	2,378,682
Investments at cost	631,082
Less: Interest-bearing deposits with a maturity over three months	<u>(616,537)</u>
Total cash and cash equivalents	<u>2,393,227</u>
Net increase in cash and cash equivalent	<u>\$ 2,393,227</u>

See accompanying notes and accountant's report.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Eunice Student Housing Foundation, Inc. (The Foundation) is a not-for-profit organization as outlined in the Internal Revenue Code Section 501(c)(3). The Foundation provides student housing on the campus of Louisiana State University at Eunice, Louisiana known as Bengal Village. The Bengal Village apartment complex consists of 58 units and is managed by Century Development Housing Management, L.P. (Century). The management agreement commences August 1, 2002 for 15 years until July 31, 2017. Thereafter, the agreement shall be automatically renewed for one year periods unless terminated. All personnel employed in the leasing, management, maintenance and operation of Bengal Village are the employees of Century.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation has not received any contributions with donor-imposed restrictions that would result in temporarily restricted net assets.

Investments

Investments consist of Fidelity US Treasury Fund with a fair market value and cost basis of \$14,545 and U.S. Treasury Notes with a cost basis of \$616,537 and a fair market value of \$650,715. These funds are restricted by the revenue bond obligation.

Depreciation

Depreciation is calculated over the estimated useful lives of the respective assets using the straight-line method.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance, Capitalization, and Disposal Policies

Repairs and maintenance are expensed as incurred. Expenditures incurred in the construction or that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid interest-bearing deposits with a maturity of three months or less when purchased.

Use of Estimates

Preparation of The Foundation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 TAX STATUS

The Foundation operates as a not-for-profit organization. It is accorded tax exempt status under the Internal Revenue Code Section 501(c)(3). Accordingly, no provision is required for income taxes.

The Foundation is not a private foundation as determined under Section 509(a) of the Internal Revenue Code.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Notes to Financial Statements

NOTE 3 PROPERTY AND EQUIPMENT

The building and associated improvements and fixtures were completed and accepted March 25, 2003. No depreciation expense was recorded for August, 2002, the first partial month of operation.

<u>Category</u>	<u>Cost</u>	<u>Estimated Useful Lives</u>
Building	\$ 4,361,642	40 years
Unamortized loan costs	263,565	30 years
Streets, sidewalks and pool	352,064	40 years
Fences, gates & signs	109,255	15 years
Interior fixtures	47,931	5 years
Furniture & lighting	321,890	10 years
Office equipment	24,178	5 years
Equipment	<u>77,707</u>	10 years
Total depreciable assets	5,558,232	
Less: Accumulated depreciation	-	
Net depreciable assets	<u>\$ 5,558,232</u>	

NOTE 4 LONG TERM DEBT

Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2002, issued January 17, 2002, at a coupon rate of 7.375% 7.375%, principal payments beginning in September 2005 with final payment due September 2033. Proceeds of this bond to be used for construction, improvement and equipping student housing at LSUE.

\$ 7,000,000

Less current maturities

-

\$ 7,000,000

Principal payments on the above notes are as follows:

<u>Fiscal Year Ending August 31,</u>	
2003	\$ -
2004	-
2005	-
2006	15,000
2007	30,000
Thereafter	<u>6,955,000</u>
Total principal payments	<u>\$ 7,000,000</u>

INTERNAL CONTROL AND COMPLIANCE



(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Compliance and
On Internal Control over Financial
Reporting Based on an Audit of
Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Directors
Eunice Student Housing Foundation, Inc.
Eunice, Louisiana

We have audited the financial statements of Eunice Student Housing Foundation, Inc. (a nonprofit organization), as of and for the year ended August 31, 2002, and have issued our report thereon dated August 29, 2003. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Eunice Student Housing Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings and questioned costs as item 02-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eunice Student Housing Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on

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the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Eunice Student Housing Foundation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specific parties.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
August 29, 2003

EUNICE STUDENT HOUSING FOUNDATION, INC.

Summary of Corrective Action Taken on Prior Year Findings

This is the first year of existence for the Foundation; therefore, this schedule is not applicable.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Schedule of Findings and Questioned Costs
Year Ended August 31, 2002

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on Eunice Student Housing Foundation, Inc.'s financial statements as of and for the year ended August 31, 2002.

Reportable Conditions - Financial Reporting

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements.

Material Noncompliance-Financial Reporting

There was one instance of noncompliance material to the financial statements disclosed during the audit of the financial statements and is described in Part 2 as item 02-1.

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*

02-1 Violation of state law

Finding:

State law requires an audit to be completed within six months of the close of the fiscal year.

Recommendation:

The audit should be scheduled timely to ensure compliance with state law.

Part 3 Findings and Questioned Costs Relating to Federal Programs

This section is not applicable.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Management's Corrective Action Plan
Year Ended August 31, 2002

Response to Finding 02-1:

Management was not aware that a financial audit was required by the Foundation as a component unit of Louisiana State University. Future audits will be conducted and scheduled to be completed in a timely manner.